

DEMOGRAPHIC CHANGE – NEW CHALLENGE FOR EUROPEAN POLICIES ON SOCIAL COHESION PROGRAMS

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Abstract: *Demographic changes create a new society, and these changes are set to speed up from 2010 onwards: ever fewer young people and young adults, ever older workers, pensioners and very elderly people. Our societies will have to invent new ways of liberating the potential of young people and older citizens. Dealing with these changes will require the contribution of all those involved: new forms of solidarity must be developed between the generations, based on mutual support and the transfer of skills and experience.*

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Jel Classification: *N10 - General, International, or Comparative*

In November 1998, Christian Marchal¹ presented a project pertaining to the ages' pyramid in the fifteen countries of the European Union and explained: "since 1965 the annual number of births is almost constantly decreasing, it has already fallen by more than one third. Because of the increase of life expectancy the total population is still very slowly increasing but while the number of old people is rapidly increasing the number of young people is rapidly decreasing".

The problem of change of structure of population concerning the "age of pyramid" of was signalled as a contemporary reality, but "it will pose a major challenge for global prosperity and stability during the first half of the twenty-first century"².

In 2003, the European Employment Guidelines and the Employment taskforce report suggested adoption of "comprehensive active ageing policy centered on the

¹ World Demographic Braking, Christian Marchal.htm, Christian Marchal, Chairman of the polytechnic group X-Demography, Economy, Population,

² Richard Jackson and Neil Howe, The 2003 – Aging Vulnerability Index. An assessment of the Capacity of Twelve Developed Countries to Meet the Aging Challenge, the Center for Strategic and International Studies, March 2003, www.csis.org, www.watsonwyatt.com

appropriate financial incentives to longer working lives, lifelong learning strategies and improved quality of work. Extended lifelong learning opportunities should be created for supporting the ageing part of the population in an independent and healthy lifestyle, as long as possible and for extending their social network, reinforcing their active citizenship rights in all areas of every day life and avoiding social exclusion.”¹

The situation of demographical terms of Europe between 2005 and 2025, is characterized by the growth at a very slow rate — 10 million individuals. In same period, the working age population will already be decreasing, since it will lose 12 million people. “It is hard to imagine how our continent will maintain economic growth without a growing population — a ‘growth without cradles’. The recent publication of a Green Paper by the European Commission calling for a new solidarity between generations, is trying to fill that gap”.²

The idea of social partnership must be extended to demographic issues too. The ageing populations will increasingly span four generations, so, the Commission is calling for intergenerational partnership – one that recognizes the diverse needs of different generations, while placing particular emphasis on opportunities for young people. “*This intergenerational approach has been further explored in a recent Green Paper, which analyses the demographic changes of European populations and their consequences*”.³

“If people are living longer, there have got to be opportunities – perhaps a necessity – for them to work longer. But we’ve got to look at how we handle these things”.⁴

The role of the European and national policies is to contribute in achieving an average employment rate for the European Union (EU) of 70 % overall, of at least 60 % for women and of 50 % for older workers (55 to 64) by 2010, in order to

¹ The social situation in the European Union 2004 - DG Employment and Social Affairs and Eurostat the European Foundation on Living and Working Conditions, Professor Géry Coomans of ISMEA; Professor Dr M. Harvey Brenner of the Berlin University of Technology; Professor Yannis Yfantopoulos of the University of Athens and Professor Christian, Haerpfner and Dr. Claire Wallace of the Institute for Advanced Studies Vienna.

² Confronting demographic change: a new solidarity between the generations, Green Paper, European Commission, Directorate-General for Employment, Social Affairs and Equal Opportunities, Manuscript completed in March 2005, http://europa.eu.int/yourvoice/consultations/index_en.htm

³ http://europa.eu.int/comm/employment_social/social_policy_agenda/social_pol_ag_en.html

⁴ John Monks, General Secretary of the European Trade Union Confederation, spoke to Social Agenda Magazine, The European Commission’s magazine on employment and social affairs ISSUE N° 11 May 2005

reduce unemployment and inactivity. Member States should consider setting national employment rate targets.¹

An ageing employer perspective presupposes:²

- pressure on public finances leading to increased taxation and rising labor costs: Financial sustainability of pension and health systems will be under pressure;
- decreased labor market participation: If the current pattern of low levels of employment among people aged over 50, it does not change the overall employment;
- rate will further drop due to a purely mechanical effect;
- rising of the discrepancy between the evolution of productivity and labor costs: after the age of 50-55 the worker productivity curve tends to be below the labor costs, because wages have an important element of seniority;
- aggravation of the skills gap. The process of skills renewal through the entry of young people into the labor market will decrease, while the pace of technological change will increase. The figures offered by statistics³ today, 80% of the workforce will have acquired their education and training more than 10 years earlier, while 80% of the technology used at work is less than 10 years old. This has important implications for the ability of companies to compete in the global economy which increasingly depends on workers' skills.

This inter-generational approach can improve the overall functioning of labor markets for the entire workforce as opposed to policies by categories of workers in which it measures for one group and it could be detrimental to other groups. But the problem in this approach is as follows: young people or older workers are not homogenous categories and policy responses targeted at one or other do not allow to sufficiently differentiating according to individual needs. And, "the key components of an inter-generational approach are:

¹ Guideline No. 17: Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion, European Commission

² Intervention by Thérèse de Liedekerke, Director, Social Affairs, Conference "Confronting demographic change: a new solidarity between the generations", 11-12 July 2005, Brussels, Union of Industrial and Employers' Confederations of Europe – Union des Confédérations de l'Industrie et des Employeurs d'Europe AISBL, Website: www.unice.org

³ "The transition from education to working life: the key data on vocational training in the European Union", 2001, DG Education and Culture, Eurostat and Cedefop (European Centre for the development of Vocational Training).

- avoiding shifting the burden of present policies on the next generations by pursuing sound public finances with progressive removal of public deficits, hence the urgent need to reform pension and health care systems and to cut the public debt ratio
- improving the efficiency of education and training systems in order to give real access to lifelong learning opportunities to workers of all age groups;
- improving the functioning of labor markets to integrate more people on the labour market throughout the population spectrum (young and older workers)
- offering a favorable context to both young and older entrepreneurs willing to take risks in order to create wealth and jobs
- modernizing social protection systems also to remove unemployment and poverty traps, in particular youth unemployment traps
- increasing the employment rates of older workers in particular by discouraging and progressively removing incentives for early exit from the labor market, providing incentives for people to stay longer on the labor market and for companies to employ and keep older workers.”¹

A new place for the elderly²:

Service and product needs of this old generation provide a potentially significant market for economic development. However, the conception that all older people have reaped the rewards of economic growth ignores the reality of the situation of so many older people.

National experiences and initiatives

Most Member States received a specific recommendation. There are efforts to define the national active ageing strategies (CY, CZ, EE, FI, FR, LV, NL, PT, UK), but the action often relies on piecemeal measures in the area of tax-benefit and pension reforms discouraging early retirement rather than on increasing employability and participation throughout the lifecycle, including young people. There seems to be a high degree of reliance on the impact of pension reforms (FR,

¹ Intervention by Thérèse de Liedekerke, Director, Social Affairs, Conference "Confronting demographic change: a new solidarity between the generations", 11-12 July 2005, Brussels

² Main points raised by Anne Sophie PARENT (President of European Social Platform) at final panel on July 12th, Conference "Confronting demographic change: a new solidarity between the generations", 11-12 July 2005, Brussels

IT). Moreover, the commitment of some Member States was essentially limited to proposals for tripartite social dialogue (BE, LU).¹

Finland experience:²

The government has implemented extensive programmes (Programme for Ageing Workers, Work attraction 'Veto' programme). Demography is one of the key points of the new European Social Model along with handling restructuring and delocalization much better than we do now, and running our economies at much higher levels of growth and employment.

Romanian experience:³

The main active measures are recruitment incentives to employers, training and retraining programmes, support to job creation in SMEs and to business start-ups, community work programmes and mobility grants.

Anglo-Saxon countries experience:⁴

This experience portrays a fairly flexible labor market, small public sector, low-wage service sector, welfare-to-work. Social enterprises were asked to identify the most significant challenge to the voluntary base of the social enterprise. Reluctance on the behalf of young people to volunteers, an ageing volunteer base and reluctance to become involved in the board due to legal responsibilities were the most significant challenges (22%, 20% and 16.4% respectively of all social enterprises). These challenges were more significant to rural rather than urban social enterprises. Lack of strategic skills among the Board of Directors of the enterprise, failure to develop and implement policies regarding volunteers and tensions between paid

¹ Council (Employment, Social Policy, Health and Consumer Affaires), attached the text of the Joint Employment Report 2004/2005, as adopted by the Council and the Commission on 3 March 2005, to be forwarded to the European Council in view of its meeting on 23-24 March 2005, st07010.en05.pdf

² Intervention by Sinikka Mönkäre Minister of Social Affairs and Health, Conference "Confronting demographic change: a new solidarity between the generations", Brussels, 11-12 July 2005

³ Joint Assessment of Romania's short-term employment and labor market policy priorities. This document presents an agreed set of employment and labor market objectives necessary to advance the country's labor market transformation, to make progress in adapting the employment system so as to be able to implement the Employment Strategy and to prepare it for accession to the European Union, 28 October 2002

⁴ Intervention by Linda HANTRAIS Director of the European Research Centre, Loughborough University (UK) , Conference "Confronting demographic change: a new solidarity between the generations", Brussels, 11 July 2005

staff and volunteers were the more common challenges suggested to currently face urban social enterprises.¹

Research project

According to the Green Paper “Confronting demographic change: a new solidarity between the generations” (COMMUNICATION FROM THE COMMISSION):

“The structure of society is also changing radically. Family structures are changing: there are more “older workers” (55-64), elderly people (65-79) and very elderly people (80+), fewer children, young people and adults of working age ...”

Hence:

“...new forms of solidarity must be developed between the generations, based on mutual support and the transfer of skills and experience.”

Initiatives in this respect are welcomed and here there are few attempts around Europe. Two of well focused projects started in the Fifth Framework Programme are presented below.

ACTIVAGE – Overcoming the barriers and seizing the opportunities for active ageing policies in Europe.

Start date: 2002-11-01	End date: 2005-10-31
Duration: 36 months	Project Reference: HPSE-CT-2002-00102
Project cost: 1891563 EURO	Project Funding: 1139996 EURO
Programme Acronym: HUMAN POTENTIAL	Programme type: Fifth Framework Programme
Subprogramme Area: Key action Socio-Economic Knowledge Base	Contract type: Cost-sharing contracts

¹ Research on Social Enterprise in the UK: Trends and models, practices and challenges. Co-ops Research Unit and Public Interest Non-Profit management Research Unit Open University, Milton Keynes “Exploring the differences – A Comparative analysis of Irish urban and rural social enterprises” Mary O’ Shaughnessy, Margaret Fenton & Patricia O’ Hara Centre for Co-operative Studies, National University of Ireland Cork, Ireland

The overall aim of the ActivAge project is to identify and analyse the socio-institutional, economic, political realities facing the implementation of active ageing policies in Europe.

This implies the following:

- Chart and analyse the existing active ageing policy landscape in Europe;
- Identify and outline the barriers to and opportunities for implementing active ageing policies in Europe;
- Highlight and explore means of overcoming barriers and seizing opportunities for active ageing policies in Europe.

The ActivAge project assumed to provide:

- A map of European active ageing policies and their socio-institutional contexts;
- A catalogue of socio-institutional, economic and political barriers to and opportunities for implementing active ageing policies;
- A set of recommendation on how to overcome these barriers and seize the opportunities for active ageing policies.

The project reports discuss:

- ageing matters on the whole population of Europe, considering that the number of older people will relatively grow fast in the future decades;
- legal and institutional aspects on active ageing for the 10 countries involved in the project;
- aspects on the labor legislation and on companies' human resources policy regarding young and old people employment;
- problems on health of elder people that prevent them to continue the active life;
- recommendations on all aspects above that may help aged people to continue the active life.

ActivAge project offers a synthesis of the policies meant for active aging across Europe (member and non-member states), along with a summary of basic principles known in the field, e.g. Walker's seven key principles of Active Ageing Policy:

Walker's seven key principles of Active Ageing Policy¹

The nature of Activity: 'activity' should consist of all meaningful pursuits which contribute to the well-being of the individual concerned, his or her family, local community or society at large and should not be concerned only with paid employment or production".

Scope: "active ageing must encompass all older people, even those who are, to some extent, frail and dependent".

Active ageing is/should be a preventative concept. This implies adopting a 'life course' approach to understanding the ageing issue: active ageing policy, if it is to be effective, cannot solely concentrate on the current old but also needs to include policies for the future old. Centrality of intergenerational solidarity for active ageing policy: "This means fairness between generations as well as the opportunity to develop activities that span the generations"

Active ageing encompasses rights and obligations: *"Thus the right to social protection, life-long learning and training and so on may be accompanied by obligations to take advantage of education and training opportunities and to remain active in other ways"*.

Active ageing should be "participative and empowering": bottom-up initiatives must qualify and complement top-down measures. Active ageing has to respect national and cultural diversity in Europe: what counts as a 'meaningful activity' is likely to differ across Europe. APPLE Ageing populations - policy lessons from the east, which tries to find out policy challenges and solutions sought in economically dynamic Asian countries.

Start date: 2002-07-01	End date: 2003-08-31
Duration: 14 months	Project Reference: QLK6-CT-2002-30201
Project cost: 64209 EURO	Project Funding: 64209 EURO
Programme Acronym: LIFE QUALITY	Programme type: Fifth Framework Programme
Subprogramme Area: Key action The Ageing Population and Disabilities	Contract type: Preparatory, accompanying and support measures

¹ Walker, Alan and Gerhard Naegele (eds.) (1999), *The Politics of Old Age in Europe*, Buckingham, Open University Press.

The project mainly organized workshops that offered the opportunity for debates on the theme.

Conclusions

A new solidarity between the generations

Demographic changes create a new society, and these changes are set to speed up from 2010 onwards: ever fewer young people and young adults, ever older workers, pensioners and very elderly people. Our societies will have to invent new ways of liberating the potential of young people and older citizens. Dealing with these changes will require the contribution of all those involved: new forms of solidarity must be developed between the generations, based on mutual support and the transfer of skills and experience.

What broad policy goals should a European active ageing agenda pursue?¹

First, in order to overcome ageism in the labor market and attain the Lisbon targets, Europeans need active employment strategies (Amann, 1999). Policy-makers, he argues, should take into account that older people in the future will rely on four sources of income: income from public pension systems, from occupational pensions, from private savings and from earned income (c.f. Giarini and Liedtke, 1998). However, this implies that any policy limited to removing financial incentives to early retirement alone is likely to fail. Without simultaneously combating age discrimination, retrenching pension systems alone would set older people in marginal employment to poverty and destitution. Effective anti-discrimination policy, in turn, requires hands-on age management at the organizational level.

Secondly, advocates of the senior citizenship acknowledge that pension systems are in need of reform. However, unlike the general thrust of pension reform in Europe (with the notable exception of Norway), pension reform should aim at providing older people with the material means to fully participate in social life (Amann, 1999; Ney, 2003). For many marginal groups in the labor market, such as women or people with disabilities, this means that pension systems provide some form of basic or guaranteed minimal income regardless of prior contribution. What is more, pension systems should not erect barriers to labor market participation of older people. This implies abandoning mandatory retirement ages, reducing the punitive nature of taxation on earned income during retirement, as well promoting pension arrangements that permit part-time employment (Walker, 2003).

¹ Walker, Alan (2003), "A Strategy for Active Ageing", unpublished paper.

Thirdly, since good health is the pivotal precondition for activity in old age, any active ageing policy must weave health care and social services into the overall policy fabric. Rather than expending scarce policy-making resources on structural and financial reforms to health care systems, advocates of the senior citizenship discourse suggest reforming the underlying approach to providing health care. Avoiding skyrocketing health care costs in the future involves breaking the link between poor health and employment (Walker, 2003): European health care systems need to prevent ill-health rather than curing disease at great costs. Moreover, activity and societal participation for the very old and frail, a group set to increase considerably in the coming decades, call for effective long-term care. Here, the active ageing policy imperative is to develop innovative concepts of long-term care and social service provision.

And finally, but by no means least, any active ageing agenda must be about democracy, rights and citizenship. In a very real sense, combating discrimination in the labour market, providing adequate old-age income and ensuring good health in old age empowers older people. However, while societal reforms represent one side of what David Held (1995) calls “double democratization”, real change in political systems is the indispensable other side. Active ageing policy, argue the advocates, has to provide older people (and, by extension, everyone) with a real say in decision-making. In this way, European citizens can take active control and responsibility for their ageing. This also includes promoting the civic engagement of older Europeans.

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